

Message Text

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ACTION STR-07

INFO OCT-01 STRE-00 ISO-00 IO-14 EA-10 EUR-12 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01
INR-10 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01
CTME-00 AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02
SOE-02 OMB-01 DOE-15 /137 W
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P 292013Z SEP 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 4631
INFO AMEMBASSY OTTAWA

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USMTN
ACTION STR PASS ELECTRICALLY
STR PASS CODEL

E.O.11652:N/A
TAGS: MTN, ETRD, CA
SUBJECT: U.S./CANADA MTN BILATERAL

1. SUMMARY. AT U.S./CANADA AMBASSADORIAL-LEVEL STOCK-TAKING SESSION ON 28 SEPTEMBER, AMB. MCDONALD POINTED OUT URGENCY IN COMPLETING THE TOKYO ROUND BY DEC. 15 IN LIGHT OF JAN. 3 EXPIRATION OF U.S. COUNTERVAILING DUTY WAIVER AUTHORITY. CANADIANS OUTLINED THEIR PROBLEMS WITH THE EC AND JAPAN, AND MADE YET ANOTHER PLEA FOR U.S. SUPPORT IN SOLVING THEM. USDEL SAID WE ARE WAITING FOR A REPLY TO OUR REQUEST ON THE MACHINERY PROGRAM. BOTH DELS BRIEFLY DISCUSSED THEIR PROBLEMS WITH PROCUREMENT, VALUATION, AND SAFEGUARDS CODES. DISCUSSION ON AGRICULTURE WILL BE REPORTED SEPTEL. END SUMMARY.

2. U.S. AND CANADIAN MTN DELS MET AT AMBASSADORIAL LEVEL
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ON 28 SEPT. TO DISCUSS COMING WEEKS OF THE MTN AND MAJOR REMAINING ISSUES BETWEEN CANADA AND THE U.S. IN THE MTN.

3. TIMING--AMB. MCDONALD NOTED THAT THE U.S. NOW REGARDED ITS NEGOTIATING AUTHORITY AS EFFECTIVELY ENDING WITH THE EXPIRATION OF THE WAIVER AUTHORITY FOR COUNTERVAILING DUTIES ON JAN. 3, 1979. HE POINTED OUT THAT CONGRESS HAD

DELIBERATELY SET THAT DATE ONE YEAR EARLIER THAN THE EXPIRATION OF THE U.S. NEGOTIATING AUTHORITY UNDER THE 1974 TRADE ACT. ALTHOUGH AMB. STRAUSS IS EXPLORING ALL POSSIBILITIES TO FIND A SOLUTION TO THE PROBLEM, HE MUST HAVE A COMPLETED AGREEMENT IN HAND TO EFFECT A SOLUTION IN THE CONGRESS--A MERE STATUS REPORT WILL NOT DO. THEREFORE, WE HAVE NO ALTERNATIVE BUT TO COMPLETE THE TOKYO ROUND BY THE DEC. 15 DATE AGREED AT THE JULY BONN SUMMIT. AMB. MCDONALD SAID THAT THE U.S. SAW NO REASON THAT NEXT YEAR WOULD BE A BETTER YEAR TO FINISH THE MTN, AND THAT AT ANY RATE THE U.S. FELT THAT IF IT IS NOT FINISHED BEFORE JAN. 3, 1979, IT WILL BE OUT OF OUR HANDS. HE ALSO SAID THAT HE DID NOT BELIEVE THAT AMB. STRAUSS WOULD LET THE TOKYO ROUND END BY DEFAULT--IT WOULD EITHER BE COMPLETED SUCCESSFULLY OR GUILLOTINED. FINALLY, THE U.S. PLANS TO HAVE A MEETING IN GENEVA IN NOVEMBER OF POLITICAL DECISION-MAKERS IN ORDER TO REACH AS MANY FINAL DECISIONS AS POSSIBLE BEFORE WE SUBMIT THE 90-DAY NOTICE OF INTENT TO COMPLETE A DEAL TO CONGRESS ABOUT DEC. 1. AMB. STRAUSS WOULD LIKE TO HAVE AS GOOD A FEEL AS POSSIBLE AS TO WHETHER OR NOT A DEAL IS POSSIBLE.

4. AMB. GREY POINTED OUT CANADA'S CONCERN OVER THE CVD WAIVER EXPIRING, AND THE EFFECT IT WOULD HAVE ON CANADA'S FISH EXPORTS FROM THE ECONOMICALLY DEPRESSED MARITIME PROVINCES. HE SAID THAT WE WERE PREACHING TO THE LIMITED OFFICIAL USE

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CONVERTED WITH REGARD TO THE URGENCY OF COMPLETING THE ROUND, THOUGH HE IS CONCERNED THAT THE EEC WILL USE THAT URGENCY AS A NEGOTIATING TACTIC TO SQUEEZE THE CANADIANS. BASED ON PAST NEGOTIATING EXPERIENCE, HE SAW NO WAY TO COMPLETE NEGOTIATIONS WITH THE EC ACCORDING TO THE TIMETABLE. IN THE FISH SECTOR, CANADA IS GETTING NOWHERE WITH THE EEC. AS FOR JAPAN, THE EC HAS NOT ACTED ON CANADA'S GRAIN REQUEST, AND 60 PERCENT OF CANADA'S PRIORITY INDUSTRIAL ITEMS WERE ON THE EC'S CONTEMPLATED WITHDRAWALS LISTS. HE SAID HE HOPED THE FACTS WERE CLEAR THAT CANADA IS A LONG WAY FROM SETTLING WITH THE EC AND JAPAN, AND HE MADE THE USUAL PITCH FOR U.S. SUPPORT IN PRESSING THEM- AMB. MCDONALD NOTED CANADA'S APPEAL FOR U.S. SUPPORT, AND SUGGESTED THAT CANADA COULD DO MORE IN CARRYING ITS OWN CASE TO THE EC BY HAVING JAKE WARREN VISIT BRUSSELS AND KEY EC CAPITALS IN OCTOBER.

5. MACHINERY. THE U.S. DEL POINTED OUT THAT FOLLOWING THE RECENT INFORMAL DISCUSSIONS IN OTTAWA, THE U.S. IS AWAITING A RESPONSE TO ITS REQUEST TO ELIMINATE THE MACHINERY PROGRAM. GREY RESPONDED THAT CANADA'S OFFER

TO GO FROM 15 PERCENT TO 9 PERCENT AND REMOVE DOLS 500 MILLION OF TRADE FROM THE PROGRAM THROUGH DUTY ELIMINATIONS WAS MOVING QUITE A BIT, AND EVEN THOUGH IT IS NOT AS MUCH AS THE U.S. WANTS, WE SHOULD CONSIDER IT SERIOUSLY.

6. PROCUREMENT. THE CANADIANS SAID THEY ARE INVOLVED IN DISCUSSIONS WITH THE PROVINCES AND THEY HOPE TO IMPROVE THEIR COVERAGE OFFER SOON. IF THE JAPANESE ARE INDEED WILLING TO PLACE THEIR TELECOMMUNICATIONS AND ELECTRIC POWER SYSTEMS UNDER THE CODE, THEN ONLY THE EC WILL BE HOLDING BACK COMPLETION OF THE CODE. AMB. MCDONALD URGED THE CANADIANS TO MOVE QUICKLY. THE U.S- FEELS THE

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INFO OCT-01 EUR-12 IO-14 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
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ACTION STR PASS ELECTRICALLY
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EC COMMISSION IS DISCOURAGED ON THIS ISSUE AND WE PLAN TO MOVE PAST THEM TO APPROACH THE MEMBER STATES DIRECTLY. WE WOULD LIKE TO PRESENT A COMMON FRONT TO THEM, INCLUDING CANADA.

7. SAFEGUARDS. GREY SAID THAT FROM CANADA'S VIEW THE EC SEEMED OBSESSED WITH SELECTIVITY. THE UK SEEMED TO BE ESPECIALLY PROTECTIONIST ON THIS ISSUE. CANADA FEELS A SYSTEM OF NONDISCRIMINATION HAS SERVED THEM WELL, BUT HAS DECIDED TO GIVE LOW PRIORITY TO THIS ISSUE. AMB.

MCDONALD RESPONDED THAT WE WERE STILL DEADLOCKED WITH THE EC, AND THAT THIS IS NOT OUR TOP PRIORITY EITHER.

8. VALUATION. GREY SAID THAT THE U.S. TREASURY SUGGESTIONS ABOUT HOW TO DEAL WITH CANADA'S VALUATION PROBLEMS ARE NOT WORKABLE. HE REITERATED THAT CANADA'S PRESENT SYSTEM DISCRIMINATES IN FAVOR OF THE U.S., AND SUGGESTED LIMITED OFFICIAL USE

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THAT WE HAVE A MEETING INCLUDING VALUATION EXPERTS SOON TO DISCUSS THE ISSUE.

9. THE MEETING RAN OUT OF TIME, AND THE TWO DELS AGREED TO MEET AT THE WORKING LEVEL ON OTHER ISSUES OF BILATERAL CONCERN, INCLUDING AIRCRAFT, CHEMICALS, FOREST PRODUCTS, NONFERROUS METALS, SUBSIDIES, AND DISPUTE SETTLEMENT.

10. COMMENT. GREY WAS MUCH MORE AMIABLE THAN USUAL, AND IT IS PAINFULLY CLEAR HOW MUCH CANADIANS NEED OUR HELP. LACKING ANY LEVERAGE WITH THE EC, THE CANADIANS WILL BE INCREASINGLY RESORTING TO THE ONLY WEAPON LEFT TO THEM--OBSTRUCTION. WE HAVE TOLD THE CANADIANS REPEATEDLY THAT OUR ABILITY TO INFLUENCE THE EC ON THEIR BEHALF IS LIMITED, AND THAT CANADA SHOULD NOT LOSE SIGHT OF THE SUBSTANTIAL U.S. OFFER WHICH COULD DIMINISH IF CANADA DOES NOT IMPROVE ITS OFFER. END COMMENT.
DRAFTED BY MIMS. MCDONALD

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